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SUBJECT: INFO ON MEXICAN TEXTILES AND APPAREL PRODUCTION

REF: STATE 114799

Post has collected the below information in response to
reftel questions regarding Mexico's textile and apparel
industry:

Total industrial production in USD value?

According to the Mexican Government's official statistical
bureau, Mexican manufacturing GDP in 2006 was worth 1,482.3
billion pesos. Dividing by the average exchange rate for
2006 (1 USD = 10.9 pesos) results in a manufacturing GDP of
USD 136 billion.

Total textiles and apparel production in USD value?

According to Mexico's National Chamber of the Textile
Industry, textiles account for 3.2 percent of total Mexican
manufacturing GDP and apparel for another 2.8 percent, for a
combined total of 6 percent. According to a study by the
Secretariat of Economy, in 2005 textiles and apparel

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accounted for 1.2 percent of total GDP and 6.7 percent of
manufacturing GDP, versus 1.6 percent of total GDP and 8.3
percent of manufacturing GDP in 2000.

Textile/apparel share of host country imports and exports?

According to the Bank of Mexico, Mexico imported USD 635.47
million in apparel, USD 1.687 billion in textiles, and USD
200.9 million in chemical fibers in the first four months of
[1](#)2007. The corresponding figures for the full year 2006 are
USD 2.639 billion in apparel, USD 5.811 billion in textiles,
and USD 609.5 million in chemical fibers. According to the
Mexican government's statistical bureau, in 2006 total
Mexican imports were USD 256.7 billion. For the first four
months of 2007, 32 percent of Mexican apparel imports, 74.2
percent of Mexican textile imports, and 58.04 percent of
chemical fiber imports came from the U.S.

Regarding Mexican exports, according to the Mexican
government's statistical bureau, in 2006 total Mexican
exports were USD 250.5 billion. We only have figures from
the Secretariat of Economy for Mexican exports to the U.S.,
which account for more than 90 percent of Mexican apparel
exports. In the first half of 2006, Mexico exported USD
547.1 million in textiles and USD 2.64 billion in apparel to
the U.S. In the first half of 2007, Mexico exported USD 537
million in textiles and USD 2.253 billion in apparel to the
U.S.

Exports in textiles and apparel to the U.S. in USD Value
(year on end)?

According to the Mexican Secretariat of Economy, Mexico exported to the U.S. USD 547.1 million in textiles in the first half of 2006, falling to USD 537 million in the first half of 2007. Mexico exported to the U.S. USD 2.64 billion in apparel in the first half of 2006, falling to USD 2.253 billion in the first half of 2007.

Total manufacturing employment?

In 2005, total manufacturing employment (according to workers covered under the Mexican social security system) was around 3.7 million.

Total textiles and total apparel employment?

According to the Mexican Social Security Institute, in 2007 apparel employment in Mexico was 377,668, down from 381,745 in 2006 and 639,774 in 2000. Textiles employment in 2007 was 125,069, up from 121,725 in 2006 but down from 168,052 in 2000.

Are host country producers receiving lower prices due to heightened international competition? Have manufacturers received more, less, or the same number of orders as in years past? Have foreign investors, particularly Asian investors, closed factories or otherwise pulled out of local production?

Mexico's textile and apparel industry representatives claim that their lost market share both at home and in the U.S. market is due in large measure to low-cost competition from China, resulting in lost business. We have heard that a number of investors in these sectors have left Mexico for Asia or other lower-cost areas.

Have U.S. and EU restrictions on certain exports of textiles

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and apparel from China, effective through 2007/2008, affected export prospects for host country manufacturers?

Post does not have breakdowns on how Mexican exports to the U.S. of apparel products that compete directly with Chinese exports subject to USG-initiated China textile-specific safeguards have fared.

Has the host government implemented, or is it considering implementing, safeguards or other measures to reduce growth of imports of Chinese textile and apparel products into the host country?

Mexico has for a number of years imposed very high anti-dumping duties on a wide range of Chinese textile and apparel imports. As a result of bilateral negotiations between China and Mexico related to the former's WTO accession process, China agreed to not challenge any Mexican anti-dumping cases on Chinese products in the WTO through December 11, 2007. The Mexican Government is currently reviewing its existing anti-dumping penalties on imports from China, and will likely eliminate at least a portion of them. These high tariff barriers have certainly limited legal imports of Chinese textile and apparel products, but large amounts of Chinese goods enter the Mexican market as contraband. Septel has more details.

Does the host government have policies or programs in place to deal with any dislocated workers in the sector resulting from increased competition?

Not to our knowledge.

Has increased global competition affected local labor conditions by causing employers to reduce wages, seek flexibility from government required minimum wages, or adversely affected union organizing?

Increased global competition has generated downward pressure on Mexican wages in these sectors, and has also led employers to either renege on collective bargaining agreements, choose to work only with more pliant unions, or look for non-union workers. ConGen Ciudad Juarez reports that apparel makers cannot pay workers the wages that prevail along that part of the border, where higher value-added industries offer better remuneration, and still compete with Chinese and other Asian apparel producers.

Has the host government or private industry taken action to increase the country's competitiveness, such as improving infrastructure, reducing bureaucratic requirements, developing the textiles (fabric production) industry, moving to higher value-added goods, or identifying niche markets? Does post think that the host government or private industry's strategy will be successful?

There has been much discussion among government, industry, and unions about moving up the value-added chain in the textile and apparel sectors. Industry sources claim that they have invested substantially in new technology, and the Mexican Government has unilaterally lowered tariffs on a number of inputs that are no longer produced in sufficient quantities domestically. ConGen Ciudad Juarez reports that surviving local textile manufacturers there are moving to niche products like specialty pillows. Mexico is also keen to begin implementation of the CAFTA-DR textiles cumulation mechanism, which would likely lead to increased textiles exports to Central American apparel makers.

If your host government is a partner in a free trade agreement or a beneficiary of a preference program such as AGOA, CBTPA, CAFTA or ATPDEA, what impact does the program have on local sector industry competitiveness?

NAFTA was a huge boon to Mexican textile and apparel manufacturers, giving them clear advantages over the global competition until 2000. With China's accession to the WTO in 2001, China and other Asian countries have steadily eroded Mexico's market share in the U.S.

Overall, if not already addressed, does post think that the host country can be competitive in textiles and apparel exports given heightened global competition?

Given competition from China and elsewhere, Mexico will almost certainly not regain its circa 2000 position in the U.S. market. Nonetheless, the local textile and apparel industries are not going to disappear. In fact, exports and

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employment in these sectors are still above where they were in 1993, before the half-decade boom resulting from NAFTA's trade diversion effect.

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